

## Message Text

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PAGE 01 TOKYO 02853 220821Z  
ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
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DEPARTMENT PASS STR ELECTRONICALLY

E.O. 11652: N/A  
TAGS: ECON, ELAB, EPAP, MTN, JA  
SUBJECT: BANKRUPTCY OF EIDAI COMPANY

SUMMARY: EIDAI COMPANY, JAPAN'S SIXTH LARGEST PRODUCER OF PLYWOOD, PREFABRICATED AND 2 X 4 HOUSES, FILED FOR BANKRUPTCY FEB. 20. AMOUNTING TO OVER \$75 MILLION, THE BANKRUPTCY IS JAPAN'S SECOND LARGEST SINCE THE WAR. GOJ NOW SCRAMBLING TO PREVENT BANKRUPTCY FROM DESTROYING SUBSIDIARIES AND DEPENDENT COMPANIES, AND TO SAVE HOME BUYERS HAVING CONTRACTS WITH EIDAI. GOJ WORRIED ABOUT EFFECT ON BUSINESS CONFIDENCE. END SUMMARY.

1. JAPAN'S SIXTH LARGEST MANUFACTURER OF PLYWOOD, PREFABRICATED AND 2 X 4 HOUSES, EIDAI, APPLIED FOR BANKRUPTCY MONDAY (FEB. 20) UNDER THE PROVISIONS OF THE CORPORATE REHABILITATION LAW, WHICH WOULD PERMIT THE FIRM TO RENOUNCE ITS DEBTS AND  
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PAGE 02 TOKYO 02853 220821Z

SURVIVE, PROVIDING IT CAN MEET STRINGENT RESTRUCTURING AND OTHER LEGAL REQUIREMENTS. EIDAI'S NET DEBTS ARE OVER 180 BILLION YEN (\$75.6 MILLION) MAKING THE BANKRUPTCY THE SECOND LARGEST IN JAPAN'S HISTORY, ACCORDING TO PRESS REPORTS. ANNOUNCEMENT OF THE COLLAPSE OF SUCH A LARGE COMPANY HAS GENERATED RENEWED DEMANDS FOR GOVERNMENT ACTION TO AID DISTRESSED INDUSTRIES AND THE ECONOMY IN GENERAL.

2. ALTHOUGH COURTS HAVE YET TO DECIDE IF BANKRUPTCY WILL BE PERMITTED, GOVERNMENT SOURCES HAVE ALREADY BEGUN ACTIONS TO SAVE SUBSIDIARIES, SMALL FIRMS DEPENDING ON EIDAI, AND HOMEOWNERS HAVING CONTRACTS WITH EIDAI'S PREFABRICATED HOUSING DIVISION. OVER 41,000 HOMEOWNERS AND 4200 EMPLOYEES ARE AFFECTED BY THE BANKRUPTCY WHICH, NEWS ACCOUNTS SAID, CLIMAXED TWO YEARS OF EFFORTS BY FIVE BANKS TO SAVE THE FIRM.

3. TRADE SOURCES HAVE TOLD EMBOFF THAT ANOTHER MAJOR FIRM IN THE CONSTRUCTION INDUSTRY, FUJISASH, A MANUFACTURER OF ALUMINUM DOORS, WINDOWS, SASHES, AND RELATED PRODUCTS, EMPLOYING ABOUT 30,000 PERSONS, IS IN SIMILAR TROUBLE. GOVERNMENT SOURCES ARE SAID TO BE WORRIED THAT THE BANKRUPTCY MAY ERODE BUSINESS CONFIDENCE WHEN IT IS MOST NEEDED TO STIMULATE ECONOMIC GROWTH. A PRESS REPORT SAID THE GOJ HAS ADVISED A REDUCTION IN THE NUMBER OF PREFABRICATED HOME MANUFACTURERS FROM 31 TO ABOUT 10 THROUGH MERGERS OR, FOR DIVERSIFIED FIRMS, DROPPING THE LINE ENTIRELY.

4. COMMENT: U.S. WOOD PRODUCTS NEGOTIATORS MAY EXPECT JAPANESE ARGUMENTS RESISTING MEASURES TO INCREASE LUMBER IMPORTS BASED ON THE EIDAI CASE. THE ISSUE IS SENSITIVE AND HAS PROMPTED DEBATE IN THE DIET. HOWEVER, THE EIDAI CASE IS SYMPTOMATIC OF JAPAN'S RELATIVE INEFFICIENCY IN THE MANUFACTURE OF WOOD PRODUCTS, AND WE FEEL THE U.S. CAN IN TIME GAIN FROM ADJUSTMENTS IN THAT LIMITED OFFICIAL USE

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PAGE 03 TOKYO 02853 220821Z

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Subject:** BANKRUPTCY OF EIDAI COMPANY SUMMARY: EIDAI COMPANY, JAPAN'S SIXTH LARGEST PRODUCER OF PLYWOOD, PREFABRICATED AND 2 X 4 HOUSES, FILED FOR BANKRUPT  
**TAGS:** ECON, ELAB, EPAP, JA, MTN  
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